

January 2009

**Productivity Commission Study**

**Copyright Restrictions on the Parallel Importation of Books**

**Submission by Griffin Press**

## Summary

Griffin Press is one of Australia's major book printers having operated since 1858.

Griffin Press' submission focuses on the potential impact on the book printing industry of the abolition of the copyright restrictions on parallel importation of books.

***In Griffin Press' view, abolishing the 30-day rule will most likely result in:***

- ***a reduction in Australian book printing volumes;***
- ***the closure of both PMP's South Australian operations, including Griffin Press' entire business, with the loss of more than 250 South Australian jobs;***
- ***significant financial impact on, or closure of, various specialist businesses who supply Griffin Press and others in the domestic book printing industry; and***
- ***the demise of the Australian book printing industry.***

Over the last 10 years, as a result and because of the 1991 changes to the Copyright Act, Griffin Press has been able to invest heavily in global best practice equipment and employee training to lift its competitiveness in a global market. This investment would not be able to be recouped if the rules were abolished.

In Griffin Press' view, the domestic printing of books (as a consequence of the parallel import copyright restrictions) has not translated into higher prices for books. Notwithstanding Griffin Press' print volumes are significantly lower than UK or US printers, Griffin Press' capital investment has given rise to a reduction in:

- its production costs by almost 10%; and
- its cost differential against UK printers is less than 1% of the typical recommended retail price of a book.

Griffin Press has developed specialist suppliers who depend on its continued success in the book publishing segment, and will be sourcing a large majority of its paper from Australia and New Zealand which will cut carbon emissions and supporting sustainable forestry.

Griffin Press opposes any major changes to the 1991 parallel import restrictions.

## History and Capabilities

Griffin Press was established in Adelaide in 1858 as a wholly-owned subsidiary of Advertiser Newspapers Limited. It expanded significantly after World War II and a new integrated plant was opened at Netley in 1964.

In 1991 Griffin Press became part of PMP Limited, the leading print media production business in Australia, with operations focused on printing, distribution, digital graphic arts and micro-marketing. As part of a multi-million dollar upgrade, Griffin Press moved to Salisbury South in 2006.

Griffin Press' business employs 170 skilled people. Over the last 15 years, it has trained 60 apprentices and trainees. Griffin Press also has sales offices in Sydney, Melbourne and London. Griffin Press is co-located with a sister business, the South Australian operations of PMP Print Pty Ltd. The total site workforce is 250 and total combined annual earnings for both are over \$70m.

Griffin Press prints for Australian, New Zealand and the United Kingdom publishers for the domestic market. Usually, printed product is delivered to Australia and NZ destinations for domestic sale.

Griffin Press only prints niche "read for pleasure" books, black text with colour covers. Last financial year, it produced approximately 25 million books, in 4,400 separate printings. It put 250 tonnes of paper a week through two dedicated mono book manufacturing presses, a sheet fed cover printing press and three high speed binding lines. Due to the printing volume available, Griffin Press is capable of running a highly efficient book printing business, through such measures as:

- global best practice and 'world first' materials handling systems, through its capital investment in items such as its stacking equipment;
- a prototype digital short-run book factory (with a roll of paper feeding in one end and a fully trimmed and finished book emerging at the other), being the first of its configuration in Australia; and
- Working with equipment suppliers and publishers in Australia and the UK toward a viable "instant book" solution.

Griffin Press is ISO 9001, FSC and PEFC certified, and it will have Environmental ISO 14001 certification early this year.

## **Investment**

In the last 10 years, Griffin Press has invested more than \$20m in new equipment. This includes two state-of-the-art Timson web-fed text printing presses, a sheet-fed cover printing press, bindery equipment, leading technology computer-to-plate equipment and digital printing presses. This investment was made due to the increasing volumes Griffin Press experienced from the UK market in the mid to late 1990's (attributable to the parallel importation restrictions in the Copyright Act).

Read for Pleasure book printing is a niche market in Australia. To deliver an internationally-competitive book, our publishers require a high level of manufacturing efficiency. This encouraged Griffin Press to invest in highly specialised equipment. If book printing activity was to decline in Australia, this equipment cannot be repurposed for general print industry work, and would need to be decommissioned or sold internationally.

PMP intends to invest further in Griffin Press' book printing business, in particular in its bindery processes, energy efficiency and waste management. It would be unlikely that this investment would be viable if domestic book printing volumes were to significantly decline.

PMP has invested \$21m. in Scribo book distributors.

## **Key Suppliers**

Griffin Press' major outsource printer is Protectaprint Pty Ltd with earnings of approximately \$4m annually and a workforce of 20. Protectaprint is a cover embellisher. Orders from Griffin Press – all involving book production - amount to about 70% of Protectaprint's turnover.

Griffin Press' major paper suppliers are Australian Paper (manufactured in Tasmania) and Norske Skog (manufactured in New Zealand).

## **Competitiveness**

Griffin Press' investments and innovations over the last 10 years have reduced its average sell price for a trade paperback by 9% (despite increases in wage and material costs over the same period).

Although large European and US printers produce four to five times as many books a year as Griffin Press, Griffin Press' comparisons suggest that the maximum impact on the consumer of any difference in UK and Australian printing costs is less than 1% of the RRP of a typical trade paperback.

There have been claims that the current copyright rules result in higher prices for Australian book buyers. Griffin Press suggests that any variation in book pricing is not materially caused by the costs of domestic printing.

### **Impact of 1991 changes**

The growth of book printing at Griffin Press flowed directly from the introduction of the 30/90 day rules in 1991.

UK publishers started to use Griffin Press to comply with the 30-day rule. They soon found that printing in Australia produced other supply chain benefits. These included reduced stock write-offs and faster availability of reprints to meet retail demand, which helped their sell-through, improved profitability and ensured continuing availability for consumers.

Some 45% of current business comes from print orders placed by UK publishers, primarily for new release titles. Significantly, about 50% of our business comes from reprints as publishers respond to consumer demand.

Quite frequently, a new book will become an overnight and unexpected success. The publisher needs to replenish stocks to meet consumer demand as quickly as possible while the book's star is riding high. For these reasons, Griffin Press' ability to respond quickly and maintain high quality is vital to publishers and benefits consumers. Griffin Press is able to manufacture and deliver reprinted books to a publisher's warehouse in as little as four days from order. Importantly, Griffin Press is only able to maintain such efficiencies if domestic book printing volumes are preserved. The loss of such ability may well reduce diversity of available book titles in the domestic market.

### **Griffin Press' Commitment to the Environment**

PMP and Griffin Press are committed to reducing the environmental impact of its businesses. Overseas book printers may not have such commitment. Flow of printing work overseas may therefore have a detrimental effect on the environment.

Griffin Press' first phase towards reducing its book printing footprint was to upgrade its fleet of presses and house them in a more energy efficient site. The second stage of development was to invest in digital printing which was completed in 2008. The third stage was to achieve ISO 14001 accreditation which is due to be completed early 2009. Griffin Press is benefiting from PMP's savings on waste and has co-shared in new technology advancement on the usage of paper waste. The business is currently considering upgrading its electricity monitoring equipment to manage its

energy efficiency on a real time basis, together with further upgrading of electricity intensive equipment such as compressors.

### **Impact of abolishing parallel import restrictions**

Griffin Press opposes any major changes to the 1991 parallel import regime. Griffin Press endorses the key arguments summarised on page 6 of the Commission's Issues Paper in favour of maintaining the existing parallel import regime. Griffin Press makes the following submissions:

- the existing regime supports a vibrant domestic book printing industry;
- abolition of the regime will inevitably lead to increased dumping of overseas editions of Australian and overseas books at the expense of the domestic book printing industry. If overseas publishers see an additional market for unsold books that they would otherwise have to pulp, they will use it;
- Large retailers will also use the availability of cheaper editions from anywhere in the world to increase their margins. As a consequence, they are likely to limit the range of books available as purchasing preference will be given to large volume books purchased as remainder stock;
- Overseas book printers may well not achieve the domestic quality, environmental and labour standards maintained by Australian printers and expected by the Australian consumer;
- It is likely that abolition of the regime will result in both a reduced range of books on sale in Australia and a reduction in supply consistency because of the increase in time and cost of the longer supply chain associated with sourcing books from overseas;

Specific to Griffin Press, the abolition of the parallel import regime would create a massive disincentive to the printing in Australia of new overseas titles. This comprises almost half of Griffin Press' business. If orders received by Griffin Press were reduced by as little as 30%, Griffin Press ceases to be viable, which in turn would mean:

- PMP's overall operations in South Australia cease to be viable;

- At least 250 South Australian jobs with PMP would be lost, with a domino effect on major suppliers, especially Protectaprint;
- an end to Griffin Press' personnel training program and its project to develop Australian and New Zealand sources for paper requirements; and
- an increase to Australia's carbon emissions due to increased importation of books.

Griffin Press disputes the arguments in favour of removing the restrictions set out on page 7 of the Commission's Issues Paper. In particular:

- The consumer is unlikely to benefit from negligible (if any) savings to be made from books being printed overseas; and
- Neither industry subsidies nor direct publisher-importer-printer contractual arrangements are likely to provide the certainty and stability necessary for the Australian book printing industry to continue its capital investment to maintain its drive for production efficiency, quality assurance and environmental protection.

The United States, Britain and Canada, three of the largest English-speaking markets, are strengthening their territorial copyright requirements. Griffin Press endorses the argument on page 6 of the Issues Paper to the effect that Australia should not expose its book printing industry to global pressures when many of our trading partners are not.

Griffin Press strongly urges the Productivity Commission to preserve the existing conditions which have allowed a valuable and vital industry to grow in Australia, while providing Australians with a very wide range of books at highly competitive prices.

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